

COMPANY PROFILE

PPG Industries, Inc.

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COMPANY OVERVIEW

PPG Industries, Inc. (PPG or 'the company') produces and sells coatings, paints, specialty materials and optical products. It delivers quality, innovative and sustainable solutions to its end customers which in turn allow them to protect and beautify their products and surroundings. It markets and sells these products primarily under PPG brand and through other well-known brands such as GLIDDEN, DULUX, OLYMPIC, RENNER, SIGMA, LIQUID NAILS, BRISTOL, HOMAX, PROMINENT PAINTS, GORI, BONDEX and DANKE!, to mention a few. These are widely used in Commercial, military, regional jet and general aviation aircrafts, manufacturers of ships, bridges and rail cars, maintenance of residential and commercial building structures, consumers for decoration, automotive parts and accessories, transportation vehicles, e-passports, drivers' licenses and identification cards and optical lenses and color changing products. The company operates various production facilities across North America, Asia Pacific, Latin America and Europe, the Middle East, and Africa (EMEA) regions. The company is headquartered in Pittsburgh, Pennsylvania, the US.

The company reported revenues of (US Dollars) US\$14,748 million for the fiscal year ended December 2017 (FY2017), an increase of 3.3% over FY2016. In FY2017, the company's operating margin was 13.6%, compared to an operating margin of 6.5% in FY2016. In FY2017, the company recorded a net margin of 10.8%, compared to a net margin of 6.1% in FY2016.

The company reported revenues of US\$4,131.0 million for the second quarter ended June 2018, an increase of 9.3% over the previous quarter.

KEY FACTS

Head Office	PPG Industries, Inc. One PPG Place Pittsburg Pennsylvania Pittsburg Pennsylvania USA
Phone	1 412 4343131
Fax	
Web Address	corporate.ppg.com
Revenue / turnover (USD Mn)	14,748.0
Financial Year End	December
Employees	47,200
New York Stock Exchange Ticker	PPG

SWOT ANALYSIS

PPG Industries (PPG or 'the company') is a leading global supplier of paints, coatings, optical products, specialty materials, glass and fiber glass. Financial growth and diverse end markets are the major strengths of the company, whereas lawsuits remain as major area of concern. In the future, foreign exchange risks, competition and volatile raw material prices could affect its business operations. However, expansion initiatives and enhancement of paints and coatings business could provide growth opportunities to the company.

Strength Sustained Financial Growth attracts new and potential investors Diverse End markets attracts new and potential customers	Weakness Asbestos-related lawsuits against PPG may have a negative impact on its brand image
Opportunity Enhancing the paint and coatings business Strategic Expansion Initiatives enhances future growth business opportunities and expansion plans	Threat Volatile raw material prices could negatively impact PPG's operating results Intense competition may put strain on the company's margins Foreign Exchange Risks

Strength

Sustained Financial Growth attracts new and potential investors

The company's financial performance was improved during the review period. In FY2017, PPG reported revenue of US\$14,750 million as compared to US\$14,270 million in FY2016, which indicates annual growth of 3.4%. The growth in revenue was primarily attributed to strong performance from its Performance Coatings and Industrial Coatings segments. Total sales of its Industrial Coatings grew by 5.8% in FY2017 compared to previous fiscal. This was due to 4% increase in sales volumes and 3% increase from acquisition-related sales. Additionally, the company's Performance Coatings also realized a sales growth of 1.8% in FY2017. This was driven by 1% increase in selling prices and acquisitions.

In FY2016, the company's operating margin was 6.5% as compared to 13.6% in FY2017. Improving operating performance indicates the company's focus on efficient cost management. PPG's operating cost as a percentage of sales declined from 93.5% in FY2016 to 86.4% in FY2017. Similarly, the company's net profit margin grew from 6.1% in FY2016 to 10.8% in FY2017. PPG's return on equity grew from 18.2% in FY2016 to 28.6% in FY2017.

Improvement in financial performance enables the company to provide higher returns to its shareholders,

enabling it to attract further investments. Growth in revenue and profitability also enhance the company's ability to allocate adequate funds for growth and expansion.

Diverse End markets attracts new and potential customers

The company leverages its diversified customer base to strengthen its market presence. It primarily manufactures and distributes a broad range of paints, coatings and specialty materials and offers quality, innovative and sustainable solutions that in turn protect and beautify the products and surroundings. The company's refinish coatings are used in Automotive and commercial transport/fleet repair, light industrial coatings and specialty coatings markets. Its aerospace coatings are used for Commercial, military, regional jet and general aviation aircraft's. PPG's protective and marine coatings are used by metal fabricators, heavy duty maintenance contractors and manufacturers of ships, bridges and rail cars. Its artificial coatings are used by Painting and maintenance contractors and consumers for decoration and for maintenance of residential and commercial building structures. The company's automotive OEM and industrial coatings are used in appliances, agricultural and construction equipments, consumer electronics, automotive parts and accessories, residential and commercial construction building products, transportation vehicles and numerous other finished products.

Its packaged coatings are used for the protection, performance and decoration of metal cans, closures, plastic tubes, industrial packaging, and promotional and specialty packaging. PPG's specialty coatings and materials are used in radio frequency identification (RFID) tags and labels, e-passports, drivers' licenses and identification cards, displays and lightings, optical lenses and color change products.

The diverse end markets also help the company to expand and strengthen its presence, both in domestic and international markets.

Weakness

Asbestos-related lawsuits against PPG may have a negative impact on its brand image

PPG is defendant in various legal proceedings. It is exposed to various issues such as patent, product liability, environmental, antitrust, asbestos exposure and other factors associated with the industry. The company was sued by Rachael Demeio in March 2018, related to employment. Such issues could pose a serious threat on its day-to-day business operations and its brand image in the market. It is also involved in removal- asbestos litigation in November 2017 stating that the company along with other players involved in illegal production and distribution of asbestos through its owned and leased hubs. Such lawsuits could hamper the future growth plans and opportunities associated with the industry.

Opportunity

Enhancing the paint and coatings business

The company's paints and coatings business primarily produces coatings used by painting and maintenance contractors and by consumers for decoration and maintenance of residential and

commercial building structures. The company entered into an agreement to acquire ProCoatings in January 2018, to further enhance its presence in Netherlands market. It also acquired The Crown Group (Crown) in October 2017, which in turn allows it to implement various coatings to assembled products and manufactured parts of its uses through 11 hubs to automotive, agriculture, construction, alternative energy and heavy truck industries across the US. Hence, these acquisitions would help the company in enhancing the architectural paint and coatings business.

Strategic Expansion Initiatives enhances future growth business opportunities and expansion plans

PPG has strong geographic presence which is helping it to expand its customer base. PPG opened a wood coatings R&D center in its Springdale facility located in, Pennsylvania, the US in January 2018 to develop industrial coatings for kitchen cabinets, flooring and molding and doors used in residential and commercial structures. The company in partnership with SiNode Systems in November 2017 developed high-energy anode materials used in electric vehicles. It also opened a new 300-square-foot automotive refinish training center in Pilar, Argentina in August 2017. PPG annually trains approximately 300 refinish technicians at the state-of-the-art facility with 100 professionals' receive training by end of FY2017. It also trains technician from Chile and Uruguay across PPG's automotive refinish product lines, color modules and application techniques. The new training facility strengthens commitment to develop and expand the company's automotive refinish industry of Southern Latin America. Such initiatives could enable the company to handle various demand-supply fluctuations arising in the market.

Threat

Volatile raw material prices could negatively impact PPG's operating results

PPG's financial results are significantly affected by the cost of raw materials. The company's most significant raw materials are titanium dioxide, epoxy and other resins, solvents and other pigments in the coatings businesses; sand, lenses, and soda ash in the optical and specialty materials segment; and sand, clay and soda ash in the glass segment. These materials accounts for 70% to 80% of its cost of goods sold in most coatings formulations and represent PPG's single largest production cost component. The company expects overall coatings raw material prices to increase modestly, with varied results by region and commodity type. Natural gas pricing remains volatile, although increased output and infrastructure development from shale gas should continue to play a role in muting long-term changes in natural gas pricing. Increase in raw material prices could have an adverse affect on the company's growth margins.

Intense competition may put strain on the company's margins

PPG faces intense competition across all its market segments, both from large international competitors and local players. Besides competing with smaller regional coating companies, PPG competes in its primary markets with the world's largest coatings companies, most of which have global operations with larger scale.

The major global competitors of PPG's performance and industrial coatings segments are Akzo Nobel, BASF, E. I. duPont de Nemours & Company, and Valspar Corporation. The company also competes with

four major producers of flat glass including Asahi Glass, Cardinal Glass Industries, Guardian Industries, and NSG Pilkington. It faces competition from eight major producers of fiber glass including Owens Corning, Vetrotex, Jushi Group, Johns Manville, CPIC Fiberglass, Taishan Fiberglass, 3B, and AGY. Some of the major competitors of PPG's optical and specialty materials business segment are Vision-Ease Lens, Carl Zeiss, Corning, Hoya Corporation, Solvay Group, and J.M. Huber.

Intense competition could force the company to reduce prices, which could affect the bargaining power of the company and strain its margins and brand image.

Foreign Exchange Risks

PPG conducts its business activities in various countries. The company reports financials in the US Dollars and is exposed to the volatility of the US dollars against other functional currencies such as Canadian dollar, Japanese Yen, Australian dollar, Euro and British pound. Though the company is involved in foreign exchange hedging to optimize currency fluctuations risks, there could be no assurance that these measures would limit effect on financial results.

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